

MUKLUK TELEPHONE COMPANY, INC.GENERAL EXCHANGE SERVICESEXPANDED LINKUP ASSISTANCEA. GENERAL

Expanded Linkup Assistance is a program for qualifying low income customers which includes a reduction in the Company's customary charge for service connection for a single residential line connection at a customer's principal place of residence, and a deferred schedule of payment of the charges assessed for commencing service, for which the customer does not pay interest. Expanded Linkup will provide a reduction to any standard charges imposed on qualifying low-income individuals as a condition of initiating service, including both line extension and initial connection charges. Expanded Linkup support provides for:

- A 100% reduction, up to \$100 of a qualifying subscriber's initial connection charges (C)
- Total maximum support amount of \$100 per qualifying low income subscriber. (C)

The supported services under this section do not include charges assessed for facilities or equipment that fall on the customer's side of the demarcation point, i.e. customer premises equipment and inside wiring charges.

B. REGULATIONS

1. Expanded Linkup will be offered to any requesting applicant meeting all the criteria as listed for Enhanced Lifeline Services.

Tariff Advice No. TA81-253 Pursuant to Fed Reg Vol. 77, No 42, Mar. 2, 2012 Effective: July 1, 2012Issued By: MUKLUK TELEPHONE COMPANY, INC.By: _____
Brenda ShepardTitle: CEO

RCA No. 253 Original Sheet No. 351

Cancelling Sheet No.

MUKLUK TELEPHONE COMPANY, INC.

GENERAL EXCHANGE SERVICES

EXPANDED LINKUP ASSISTANCE - continued

B. REGULATIONS - continued

2. Eligible customers shall be allowed to receive benefit under this schedule for a second or subsequent time only for a principal place of residence with an address different from the residence address at which the Expanded Linkup was previously provided.

Tariff Advice No. TA47-253 Effective: December 1, 2004

Issued By: MUKLUK TELEPHONE COMPANY, INC.

By: _____ Title: CEO

Jack H Rhyner

REDACTED - FOR PUBLIC INSPECTION

RCA No. 253 First Revised Sheet No. 516

Cancelling _____ Original _____ Sheet No. 516

MUKLUK TELEPHONE COMPANY, INC.

RATE SCHEDULE

ENHANCED LIFELINE SERVICE

A. APPLICABILITY

The rates and terms specified herein apply to residential customers who meet the eligibility requirements for Enhanced Lifeline Service shown in the General Exchange Services section of this tariff.

B. RATES

Monthly Recurring Rate

All Exchange Areas

\$0.00

(R)

The reductions from the local residential service charges are from state and interstate universal service funds.

No. TA81-253 Pursuant to Fed Reg Vol. 77, No 42, Mar. 2, 2012 Effective: July 1, 2012

Issued By: MUKLUK TELEPHONE COMPANY, INC.

By: _____
Brenda Shepard

Title: CEO

REDACTED - FOR PUBLIC INSPECTION

RCA No. 253 First Revised _____ Sheet No. 518

Cancelling _____ Original _____ Sheet No. 518

MUKLUK TELEPHONE COMPANY, INC.

RATE SCHEDULE

EXPANDED LINKUP ASSISTANCE

A. APPLICABILITY

The rates and terms specified herein apply to all residential customers who meet the eligibility requirements for Expanded Linkup Assistance as shown in the General Exchange Services section of this tariff.

B. RATES

Expanded Linkup is available only to qualifying low income customers residing on Tribal Lands. Expanded Linkup support provides for a 100% reduction of a qualifying subscriber's initial connection charges up to a total maximum support amount of \$100 per qualifying low income subscriber. The supported services under this section do not include charges assessed for facilities or equipment that fall on the customer's side of the demarcation point, i.e. customer premises equipment and inside wiring charges.

(C)
|
(C)

Advice No. TA81-253 Pursuant to Fed Reg Vol. 77, No 42, Mar. 2, 2012 Effective: July 1, 2012

Issued By: MUKLUK TELEPHONE COMPANY, INC.

By: _____
Brenda Shepard

Title: CEO

REDACTED - FOR PUBLIC INSPECTION

Mukluk Telephone Company

3000: Rate of Return Carriers Additional Documentation

54.313(g) Areas with no terrestrial backhaul

None of the Mukluk Telephone Company exchanges are connected by roads and all are served by satellite backhaul facilities. All locations are able to support the broadband service level of 1Mbps downstream/256kpbs upstream. Nome and Shaktoolik both have microwave middle mile access but are not able to support the broadband service level because of cost prohibitive backhaul facilities¹. Per the 3rd Order on Reconsideration the Federal Communications Commission has acknowledged this issue at Paragraph 46.

46. We appreciate the concerns raised by the Alaska Rural Coalition and ACS that it may not be cost-effective to serve certain customers due to the high cost of backhaul. Rather than granting a blanket exemption of the broadband obligations established for rate-of-return companies in the *USF/ICC Transformation Order*, we clarify, as the Alaska Rural Coalition requests, that our current rules provide sufficient flexibility to take into account any unique circumstances that may impact the ability of rate-of-return companies to extend broadband to their customers, including backhaul costs. As the Coalition notes, rate-of-return carriers are required to provide service meeting the specified characteristics on *reasonable* request, which, the Commission explained in the *Order*, was an obligation similar to the voice deployment obligation many of those carriers were already subject to. This obligation, enforced in the first instance by the relevant ETC-designating authority (generally the state), permits these entities to take into account backhaul costs or other unique circumstances that may make it cost-prohibitive to extend service to particular customers, in Alaska or any other area. We intend to carefully monitor developments in this regard and will consider making further clarifications or revisions if necessary.

Mukluk Telephone Company continues to seek economically sound solutions to address the provisioning of required broadband speeds given the extremely high costs of middle mile.

3005: Mukluk Telephone Company is a Privately held ROR Carrier and submits below a full and complete annual report of the company's financial condition and operations as of the end of the preceding fiscal year pursuant to 47 CFR 54.313(f)(2).

3019: Mukluk Telephone Company files as an audited single company a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers as provided by USAC in the FCC Form 481 Operating Report for Privately-Held Rate of Return Carriers upload template. This report includes data for the preceding fiscal year and the prior fiscal year for Mukluk Telephone Company. An officer of the company certifies the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

¹ FCC 12-52 paras. 45-46

3020: A pdf of Mukluk Telephone Company's Balance Sheet, Income Statement and Statement of Cash Flows.

3021: Mukluk Telephone Company submits the Report of Independent Certified Public Accountants issued by the independent certified public accountant, Grant Thornton, LLP, that performed Mukluk Telephone Company's financial audit.

	Number of fields with invalid data
3005a BalanceSheet	0
3005b IncomeStatement	0
3005c Cashflow	0

Mandatory fields that are blank			
Worksheet	Input Item	Line Item	Error Status
3005a BalanceSheet	Study Area Code	<010>	OK
3005a BalanceSheet	Study Area Name	<015>	OK
3005a BalanceSheet	Program Year	<020>	Program Year can not be blank
3005a BalanceSheet	Contact Name - Person USAC should contact regarding this data	<030>	OK
3005a BalanceSheet	Contact Telephone Number - Number of person identified in data line <030>	<035>	OK
3005a BalanceSheet	Contact Telephone Email Address - Email Address of person identified in data line <030>	<039>	OK
3005c Cashflow	Explanation for cell C20	5	OK
3005c Cashflow	Explanation for cell C39	22	OK
3005c Cashflow	Explanation for cell C45	27	OK

Totals that can not be zero			
Worksheet	Input Item	Line Item	Error Status
3005a BalanceSheet	Total Assets	24	OK
3005a BalanceSheet	Total Liabilities and Equity	59	OK
3005b IncomeStatement	Input items for prior year		OK
3005b IncomeStatement	Input items for current year		OK

(3005a) Operating Report for Privately-Held Rate of Return Carriers		FCC Form 481			
Balance Sheet - Data Collection Form		OMB Control No. 3060-0986			
Page 1 of 3		July 2013			
<010> Study Area Code		<010>	613016		
<015> Study Area Name		<015>	Mukluk Telephone Company, Inc.		
<020> Program Year		<020>			
<030> Contact Name - Person USAC should contact regarding this data		<030>	Robert Dunn		
<035> Contact Telephone Number - Number of person identified in data line <030>		<035>	(907)563-2003		
<039> Contact Telephone Email Address - Email Address of person identified in data line <030>		<039>	rdunn@telalaska.com		
<input type="checkbox"/> Files as reviewed single company		<input type="checkbox"/> Filed as audited single company			
<input type="checkbox"/> Filed as reviewed consolidated company		<input type="checkbox"/> Filed as audited consolidated company			
<input type="checkbox"/> Filed as subsidiary of reviewed consolidated company		<input type="checkbox"/> Filed as subsidiary of audited consolidated company			
CERTIFICATION					
We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.					
Signature		Date			
PART A. BALANCE SHEET					
ASSETS	BALANCE PRIOR YEAR	BALANCE END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY	BALANCE PRIOR YEAR	BALANCE END OF PERIOD
CURRENT ASSETS			CURRENT LIABILITIES		
1. Cash and Equivalents			25. Accounts Payable		
2. Cash-RUS Construction Fund			26. Notes Payable		
3. Affiliates:			27. Advance Billings and Payments		
a. Telecom, Accounts Receivable			28. Customer Deposits		
b. Other Accounts Receivable			29. Current Mat. L/T Debt		
c. Notes Receivable			30. Current Mat. L/T Debt-Rur. Dev.		
4. Non-Affiliates:			31. Current Mat.-Capital Leases		
a. Telecom, Accounts Receivable			32. Income Taxes Accrued		
b. Other Accounts Receivable			33. Other Taxes Accrued		
c. Notes Receivable			34. Other Current Liabilities		
5. Interest and Dividends Receivable			35. Total Current Liabilities (25 thru 34)		
6. Material-Regulated			LONG-TERM DEBT		
7. Material-Nonregulated			36. Funded Debt-RUS Notes		
8. Prepayments			37. Funded Debt-RTB Notes		
9. Other Current Assets			38. Funded Debt-FFB Notes		
10. Total Current Assets (1 Thru 9)			39. Funded Debt-Other		
			40. Funded Debt-Rural Develop. Loan		
NONCURRENT ASSETS			41. Premium (Discount) on L/T Debt		
11. Investment in Affiliated Companies			42. Reacquired Debt		
a. Rural Development			43. Obligations Under Capital Lease		
b. Nonrural Development			44. Adv. From Affiliated Companies		
12. Other Investments			45. Other Long-Term Debt		
a. Rural Development			46. Total Long-Term Debt (36 thru 45)		
b. Nonrural Development			OTHER LIAB. & DEF. CREDITS		
13. Nonregulated Investments			47. Other Long-Term Liabilities		
14. Other Noncurrent Assets			48. Other Deferred Credits		
15. Deferred Charges			49. Other Jurisdictional Differences		
16. Jurisdictional Differences			50. Total Other Liabilities and Deferred Credits (47 thru 49)		
17. Total Noncurrent Assets (11 thru 16)			EQUITY		
			51. Cap. Stock Outstanding & Subscribed		
PLANT, PROPERTY, AND EQUIPMENT			52. Additional Paid-in-Capital		
18. Telecom, Plant-in-Service			53. Treasury Stock		
19. Property Held for Future Use			54. Membership and Cap. Certificates		
20. Plant Under Construction			55. Other Capital		
21. Plant Adj., Nonop. Plant & Goodwill			56. Patronage Capital Credits		
22. Less Accumulated Depreciation			57. Retained Earnings or Margins		
23. Net Plant (18 thru 21 less 22)			58. Total Equity (51 thru 57)		
24. TOTAL ASSETS (10+17+23)			59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)		

<010> Study Area Code
<015> Study Area Name
<020> Program Year
<030> Contact Name - Person USAC should contact regarding this data
<035> Contact Telephone Number - Number of person identified in data line <030>
<039> Contact Telephone Email Address - Email Address of person identified in data line <030>

<010> 613016
<015> Mukluk Telephone Company, Inc
<020>
<030> Robert Dunn
<035> (907)563-2003
<039> bdunn@telalaska.copm

PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS		
ITEM	PRIOR YEAR	THIS YEAR
1. Local Network Services Revenues		
2. Network Access Services Revenues		
3. Long Distance Network Services Revenues		
4. Carrier Billing and Collection Revenues		
5. Miscellaneous Revenues		
6. Uncollectible Revenues		
7. Net Operating Revenues (1 thru 5 less 6)		
8. Plant Specific Operations Expense		
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)		
10. Depreciation Expense		
11. Amortization Expense		
12. Customer Operations Expense		
13. Corporate Operations Expense		
14. Total Operating Expenses (8 thru 13)		
15. Operating Income or Margins (7 less 14)		
16. Other Operating Income and Expenses		
17. State and Local Taxes		
18. Federal Income Taxes		
19. Other Taxes		
20. Total Operating Taxes (17+18+19)		
21. Net Operating Income or Margins (15+16-20)		
22. Interest on Funded Debt		
23. Interest Expense - Capital Leases		
24. Other Interest Expense		
25. Allowance for Funds Used During Construction		
26. Total Fixed Charges (22+23+24-25)		
27. Nonoperating Net Income		
28. Extraordinary Items		
29. Jurisdictional Differences		
30. Nonregulated Net Income		
31. Total Net Income or margins (21+27+28+29+30-26)		
32. Total Taxes Based on Income		
33. Retained Earnings or Margins Beginning-of-Year		
34. Miscellaneous Credits Year-to-Date		
35. Dividends Declared (Common)		
36. Dividends Declared (Preferred)		
37. Other Debits Year-to-Date		
38. Transfers to Patronage Capital		
39. Retained Earnings or Margins end-of-Period [(31+33+34)-(35+36+37+38)]		
40. Patronage Capital Beginning-of-Year		
41. Transfers to Patronage Capital		
42. Patronage Capital Credits Retired		
43. Patronage Capital End-of-Year (40+41-42)		
44. Annual Debt Service Payments		
45. Cash Ratio [(14+20-10-11)/7]		
46. Operating Accrual Ratio [(14+20+26)/7]		
47. TIER [(31+26)/26]		
48. DSCR [(31+26+10+11)/44]		

<010> Study Area Code
<015> Study Area Name
<020> Program Year
<030> Contact Name - Person USAC should contact regarding this data
<035> Contact Telephone Number - Number of person identified in data line <030>
<039> Contact Telephone Email Address - Email Address of person identified in data line <030>

<010> 613016
<015> Mukluk Telephone Company, Inc
<020>
<030> Robert Dunn
<035> (907)563-2003
<039> bdunn@telalaska.copm

PART C. STATEMENTS OF CASH FLOWS	
1. Beginning Cash (Cash and Equivalents plus RUS Construction Fund)	
CASH FLOWS FROM OPERATING ACTIVITIES	
2. Net Income	
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
3. Add: Depreciation	
4. Add: Amortization	
5. Other (Explain)	Deferred Income Taxes
Changes in Operating Assets and Liabilities	
6. Decrease/(Increase) in Accounts Receivable	
7. Decrease/(Increase) in Materials and Inventory	
8. Decrease/(Increase) in Prepayments and Deferred Charges	
9. Decrease/(Increase) in Other Current Assets	
10. Increase/(Decrease) in Accounts Payable	
11. Increase/(Decrease) in Advance Billings & Payments	
12. Increase/(Decrease) in Other Current Liabilities	
13. Net Cash Provided/(Used) by Operations	
CASH FLOWS FROM FINANCING ACTIVITIES	
14. Decrease/(Increase) in Notes Receivable	
15. Increase/(Decrease) in Notes Payable	
16. Increase/(Decrease) in Customer Deposits	
17. Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)	
18. Increase/(Decrease) in Other Liabilities & Deferred Credits	
19. Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital	
20. Less: Payment of Dividends	
21. Less: Patronage Capital Credits Retired	
22. Other (Explain)	
23. Net Cash Provided/(Used) by Financing Activities	
CASH FLOWS FROM INVESTING ACTIVITIES	
24. Net Capital Expenditures (Property, Plant & Equipment)	
25. Other Long-Term Investments	
26. Other Noncurrent Assets & Jurisdictional Differences	
27. Other (Explain)	Proceeds from the sale of assets
28. Net Cash Provided/(Used) by Investing Activities	
29. Net Increase/(Decrease) in Cash	
30. Ending Cash	



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Grant Thornton LLP
310 K Street, Suite 200
Anchorage, AK 99501
T 907.264.6620
F 503.295.0148
www.GrantThornton.com

Board of Directors
Mukluk Telephone Company, Inc.

We have audited the accompanying financial statements of Mukluk Telephone Company, Inc., which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of income, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mukluk Telephone Company, Inc. as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of matter

As discussed in Note 1 and Note 8 to the financial statements, the Company adopted new accounting guidance in 2013 related to the accounting for goodwill, which allows for the amortization of goodwill in lieu of an annual impairment assessment. Our opinion is not modified with respect to this matter.

Grant Thornton LLP

Anchorage, Alaska

March 31, 2014

MUKLUK TELEPHONE COMPANY, INC.

Balance Sheets

December 31,

Assets	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents		
Due from affiliate		
Accounts receivable		
Materials and supplies		
Prepaid expenses		
Deferred tax assets		
Total current assets		
Other assets		
Goodwill, net		
Total other assets and goodwill		
Property, plant and equipment		
Plant in service		
Less accumulated depreciation		
Net plant in service		
Plant under construction		
Net property, plant and equipment		
Total assets		
Liabilities and Stockholder's Equity		
Current liabilities:		
Accounts payable		
Advance billings and customer deposits		
Accrued liabilities		
Total current liabilities		
Deferred tax liabilities		
Total liabilities		
Stockholder's equity:		
Common stock, \$1,000 par value, 500 shares authorized;		
227 shares issued and outstanding		
Additional paid-in capital		
Retained earnings		
Total stockholder's equity		
Total liabilities and stockholder's equity		

See accompanying notes to financial statements.

MUKLUK TELEPHONE COMPANY, INC.

Statements of Income

Years ended December 31,

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Basic local network services		
Network access services		
Miscellaneous		
Uncollectible revenue		
Total operating revenues		
Operating expenses:		
Plant specific operations		
Plant nonspecific operations		
Depreciation and amortization		
Customer operations		
Corporate operations		
Total operating expenses		
Operating income		
Other expense:		
Other expense, net		
Total other expense		
Income before income taxes		
Income taxes		
Net income		

See accompanying notes to financial statements.

MUKLUK TELEPHONE COMPANY, INC.

Statements of Cash Flows

December 31,

2013

2012

Cash flows from operating activities:

Net income

Adjustments to reconcile net income to net cash provided by operating activities:

Depreciation and amortization

Deferred income taxes

Change in operating assets and liabilities

Accounts receivable

Materials and supplies

Prepaid expenses

Due from affiliates

Other assets

Accounts payable

Advance billings and customer deposits

Accrued liabilities

Net cash provided by operating activities

Cash flows from investing activities:

Construction and acquisition of plant

Proceeds from the sale of assets

Net cash used in investing activities

Cash flows from financing activities:

Dividends paid

Capital contribution

Net cash provided by (used in) financing activities

Net (decrease) increase in cash and cash equivalents

Cash and cash equivalents at beginning of period

Reclassification of amounts due from affiliate

Cash and cash equivalents at end of period

Supplemental information:

Allocated income taxes paid to Parent

Accrued purchases of property and equipment

See accompanying notes to financial statements.